

Message Text

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E.O. 11652: N/A

TAGS: BEXP, BMEP, HO

SUBJECT: MAJRO INVESTMETN OPPORTUNITY: HONDURAN PULP
AND PAPER PROJECT

REF: TEGUCIGALPA 0149 AND SUBSEQUENT

1. AS DEPARTMENT KNOWS, DEVELOPMENT OF PULP AND PAPER INDUSTRY IS LONG-STANDING HIGH PRIORITY PROJECT IN HONDURAS. PROJECT HAS RECEIVED LITTLE ATTENTION SINCE 1972 BUT GOH NOW INTERESTED IN RENEWING IT AS PART OF THE NATIONAL DEVELOPMENT PLAN. LIC. RICARDO REYES, MANAGER OF THE NEWLY CREATED GOH CORPORATION FOR FORESTRY DEVELOPMENT (COHDEFOR), TOLD EMBASSY RECENTLY THAT IDB WILL UPDATE MOST RECENT FEASIBILITY STUDY (DONE 3 OR 4 YEARS AGO) TO DETERMINE PROPER LOCATION, SIZE, AND TYPE OF OPERATION OF PROJECT (E.E. PRODUCE ONLY PULP OR PULP AND PAPER BOTH). REYES SAID PROJECT WILL TOTAL MORE THAN \$100 MILLION. UPDATE AND ABOVE DETERMINATIONS SHOULD BE MADE BY END 1974, REYES SAID.

2. FOR INFORMATION OF U.S. FIRMS INTERESTED IN PROJECT OF THIS TYPE, DECREE 103, THE NEW FORESTRY LAW WHICH BECAME EFFECTIVE 1/15/74, REQUIRES THAT GOH HAVE AT LIMITED OFFICIAL USE

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LEAST 51 PERCENT OF CAPITAL OF FORESTRY INDUSTRIES DECLARED

BASIC FOR THE DEVELOPMENT OF THE COUNTRY. PULP AND PAPER WOULD FALL INTO THIS CATEGORY. COHDEFOR'S FINANCIAL POSITION AND ITS LEGAL POSITION AS OWNER OF ALL FORESTS IN HONDURAS, WHETHER ON PUBLIC OR PRIVATE LAND, GIVES GOH MUCH BETTER POSSIBILITIES OF PROVIDING 51 PERCENT OF CAPITAL THAN WAS TRUE BEFORE DECREE 103. INTERNATIONAL FINANCING ALSO NOW STRONGER POSSIBILITY. EMBASSY KNOWS THAT GREAT NORTHERN AND RAYONIER INTERESTED IN PROJECT AND BELIEVES OTHER U.S. FIRMS MIGHT LIKE TO BE MADE AWARE OF ITS POTENTIAL. REYES SAID INTERESTED FIRMS WOULD BE PERMITTED TO SEE PAST FEASIBILITY STUDIES DONE ON THE PROJECT WHICH ARE ON FILE AT THE IBRD IN WASHINGTON.

3. ACTION REQUESTED: DEPARTMENT PLEASE DRAW UPON THE ABOVE INFORMATION TO ALERT POTENTIAL U.S. INVESTORS TO THIS OPPORTUNITY. EMBASSY RECOMMENDS FIRMS VISIT HONDURAS SOONEST AND MAKE THEIR INTEREST KNOWN TO LIC-RICARDO REYES, COHDEFOR, EDIFICIO MIDENCE SOTO, TERCER PISO, TEGUCIGALPA. ONCE INVESTMENT DECISION IS MADE PROJECT WOULD ALSO ENTAIL MAJOR TRADE OPPORTUNITY FOR U.S. MANUFACTURERS OF PULP AND PAPER MACHINERY. SANCHEZ

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